



THE ROAD TO MEDICAID PARITY IN PUERTO RICO

The Commonwealth of Puerto Rico has faced the challenge of inequitable Medicaid funding since the inception of the program. Due to Congressional restriction, Puerto Rico's Medicaid funding is capped at a level that keeps no rational relation with the amount of healthcare expenditure its medically indigent population needs in order to receive proper and effective diagnosis, treatment, care and medication services.

For more than 10 years Puerto Rico has sought and received diverse amounts of supplementary funds beyond the mandated cap in order to pay for the healthcare services provided to its Medicaid population through the Government Health Plan (GHP): ARRA, Obamacare, the Balanced Budget Act (BBA) and, as recently as December, 2019, PL 116-94. These supplementary sources have provided the funding needed to reach the very bare minimum revenues needed to fund the complex system that serves around 1.5 million GHP beneficiaries. These funds have been characterized by their temporary nature, the need for the renewal of the funding on a regular, and usually short basis, but most importantly, for the inequity in the reimbursement formula of the territory, which is consistently lower in amount and with a lower Federal Medical Assistance Percentage (FMAP) when compared to the states. The Medicaid cap mandated for Puerto Rico has been temporarily raised until September 2021, but never eliminated, and never increased to an amount commensurate with the healthcare needs of Puerto Rico.

During 2019, and before the exhaustion of BBA funds, the Commonwealth's government appeared before Congress seeking authorization of funds to supplement the insufficient Medicaid cap. The strategy used on that occasion was to identify so-called "sustainability measures" indispensable for the continued operation of the program along with the implementation of several program integrity measures, which the Commonwealth has been embracing and successfully implementing. The sustainability measures are:

1. Increasing the PR poverty level (PRPL) to 85% of the Federal poverty level (FPL)
2. Increasing Medicare Part B provider reimbursement to 70% of the current Medicare Fee Schedule
3. Increase hospital reimbursement to compensate for Medicaid beneficiaries' attention losses
4. Increase physicians with capitated arrangements reimbursement
5. Pay the Medicare Part B premium to dual eligible beneficiaries (the "Platino" insured)
6. Cover oral hepatitis C treatment for chronic liver disease patients.

The total amount of these initiatives took the 2019 baseline Medicaid costs from approximately \$2.8 billion yearly to approximately \$3.5 billion for federal fiscal years 2020 and 2021. This was also accompanied by an increase of the FMAP from 55% to 76%, greatly increasing federal

participation in reimbursement. The breakdown of the approximate total reimbursement achieved after approval for the initiatives and increased FMAP is:

- | | |
|---------------------------|---------------|
| 1. PRPL increase | \$350 million |
| 2. Part B providers | \$140 million |
| 3. Hospitals | \$106 million |
| 4. Capitated MDs | \$50 million |
| 5. Part B premiums buy-in | \$470 million |
| 6. Hep C treatment | \$38 million |

After further analysis of the cost of the measures, it was decided that the Part B premium buy-in payment would not be pursued at the time due to its cost, which would have defunded the other initiatives severely. Additional payments, like the second increase to dentists, were also included in the supplementary revenue sought. As of this date, Puerto Rico is on track to spend the total incremental amount of approximately \$700 million by or around September 30th, 2021.

The funds appropriated under PL 116-94 expire on September 30, 2021. As Puerto Rico approaches Congress with its petition for additional Medicaid funds, several issues must be clear:

1. The Medicaid cap remains in place.
2. The sustainability measures, although extremely helpful and necessary, do not provide Puerto Rico with Medicaid parity nor a legally mandated access to Medicaid funds like that enjoyed by the states, in equitable terms.
3. The \$2.8 billion baseline for Medicaid operations that Puerto Rico brought to Congress in 2019 has been raised to \$3.5 billion, which is the minimum amount needed to sustain the already achieved increases to providers, access provided to additional insured population, and the general operations of the program.

In addition to this, Puerto Rico is striving to achieve parity in crucial programs:

1. Medicare Part B premium buy-in payments for dual eligibles
2. Long-term Care Services and Support
3. Non-flu adult vaccinations as recommended by the CDC
4. Non-emergent transportation
5. Diabetes mellitus DME and supplies
6. Increased funds for distressed hospitals and dentists

These additional goals would add around \$900-\$950 million dollars to the new baseline, taking the total budgetary needs of the Puerto Rico Medicaid program to approximately \$4.4 billion. This amount would be accompanied by the permanent elimination of the local Medicaid cap and the permanent elevation of the FMAP to 83%. These measures would finally insure deserved parity for the Puerto Rico Medicaid program and proper protection for its most vulnerable populations.

